

INDUSTRY UPDATE

Biweekly Period Ending December 1, 2001

Phoenix Metro Area

Manufacturing

The **city of Gilbert** recently received **some good and bad employment news**. Somewhat appropriately, a **Silicon Valley company** that makes **pollution-control devices for automobiles** will bring **about 150 high-paying jobs** to the Valley when it relocates to Gilbert next year. **Catalytica Systems**, which develops “cool combustion” technology that almost eliminates nitrogen oxide emissions, will have a \$32 million payroll and **an average annual salary of \$80,000**. No information was available on how many job openings will be available locally. Meanwhile, as part of a consolidation of its North American operations, a **Swiss-based telecommunications company** will **close** a four-year-old **cable assembly plant** in the east Valley city, **laying off 40 employees**. **Huber+Suhner**, which already closed a Canadian plant, will move Gilbert operations to an expanded plant and warehouse in Vermont.

Construction

There are **three Valley building projects** of note that will get under way in the near future. On top of the list is an **\$180 million arena for the Phoenix Coyotes**, which was approved by the Glendale City Council in late November. Along with the 17,000-seat arena, Coyotes owner and developer Steve Ellmann plans to **construct 6 million square feet of retail, entertainment, and office space at Loop 101 and Glendale Avenue**. While no groundbreaking date has been set, the arena portion of the development is expected to open in fall 2003. ... The **Hamstra Group**

expects to **begin work in July** on the first office building in central Phoenix in nearly 10 years. The **three-story, 125,000-square-foot structure** on the southeast corner of Central Avenue and Osborn Road will house the **regional offices of the Veterans Administration**. The building will be home to nearly 400 VA workers when it **opens in mid-2003**. ... A **public-private partnership** — featuring retail shops, offices, 207 apartments and 24 condominiums, and a 500-space parking garage — was **struck between the city of Chandler and developer Camden/Benton- Robb** in mid-November. Camden/Benton- Robb will kick in \$1 million for the 6.3-acre project at Arizona Avenue and Chandler Boulevard, while the city will pay the rest, including \$5.3 million to relocate 15 residential units and three businesses. Chandler officials say the project, expected to be **completed by mid-2004**, will act as a “gateway” to the city and create employment for local residents.

Despite a slowdown the final quarter of this year, **2001** will likely set a **record for single-family building permits** in the **Phoenix metro area**. Through the end of October, nearly 32,000 building permits had been issued, up about 5 percent over the same period a year earlier. The record for single-family permits is 36,001, set in 1998. Low mortgage rates (down 1 percentage point from October 2000) are credited with fueling the building binge.

Trade

After **losing more than 200 jobs** earlier this year due to the merger of Tosco Corp. and Phillips Petroleum Co., **Phillips' marketing division in Tempe**, which employs 1,400

people, **could take another hit** in the near future. A proposed \$15.4 billion **merger between Phillips and Conoco Inc.** would likely lead to the **sell-off** of most of the **2,000 Phillips-operated Circle K convenience stores**, which Phillips acquired from Tosco. Phillips, which has 12,400 retail outlets (primarily independently owned), could save \$750 million annually by selling off Circle K and company-owned convenience stores. The merged company, Conoco-Phillips, would be the third largest oil company in the world with nearly 60,000 employees and 18,000 retail outlets.

Several national retailers, including two California-based grocery chains, have recently **opened or announced new Valley locations**. Wholesale supermarket **Smart & Final**, which sells bulk groceries to restaurants and businesses, will **open** its **fifth Phoenix-area location** in January and plans to **add six more stores** within the next few years. ... **Trade Joe's**, a specialty food retailer, recently **opened a Glendale location**, its seventh Valley outlet. ... **K-Mart** is **expanding** some of its **existing Valley discount stores** to include supermarkets, a concept similar to the Wal-Mart "superstore." ... New York-based **Barnes and Nobles Inc.** said it will **open in 2003** a 30,000-square-foot **superstore** in northeast Phoenix at the **Kierland Commons** retail center (Scottsdale Road and Greenway Parkway), while Sacramento-based **Tower Records** is **opening** its **third Valley location** in mid-December at **Desert Ridge Marketplace** (Loop 101 and Tatum Boulevard). ... Finally, the Valley's oldest indoor shopping center, 40-year-old **Chris-Town Mall** (19th Avenue and Bethany Home Road), has spiced up its appearance with a **\$10 million makeover** and changed its moniker to **Phoenix Spectrum Mall**. Among major tenants are Wal-Mart, Costco, and Walgreen's.

Transportation, Communications, and Public Utilities

A **favorable recommendation** by a siting

committee for the Arizona Corporation Commission bodes well for a planned 1,800-megawatt, natural gas-fired **Toltec Power Station near Eloy** (see related story in "Balance of State"). Phoenix-based **SouthWestern Power Group II LLC** would **build** the station **in three 600-megawatt blocks**, with the **first plant** beginning operation **in 2004**. The Corporation Commission is expected to act on the recommendation by the end of January.

Finance, Insurance, and Real Estate

Despite a wobbly stock market, St. Louis-based **Edward Jones** is on schedule for the **first phase** of a three-building, 300,000-square-foot **campus at Arizona State University's Research Park in Tempe**. Jones has **hired** about **one-third** of a **planned 325 employees** for the **first building**, with **1,000 employees** expected to be hired for the **entire campus** when all three buildings are complete. In addition, the brokerage has purchased a 98,000-square-foot building at the research park (formerly occupied by Motorola University) to use for training its employees. Among full-time positions being hired are operational support and services, call support, trainers, and information technology.

Tucson Metro Area

Mining

Slumping copper prices will lead to the **lay-off in early January of 90 workers** at **Asarco's Mission Mine** complex in **Green Valley** (see related story in "Balance of State"). Most of the personnel cuts were hourly workers. After the layoffs, Asarco will employ about 450 workers at the Mission complex, plus 1,300 at the Ray mine and Hayden smelter near Kearney, and 120 at its Silver Bell leaching operation in Marana.

Balance of State

Manufacturing

Cutbacks at Arizona mining operations (see

related stories) are causing **layoffs and reduced hours** for employees at **Apache Nitrogen Products Inc.** (ANPI) near Benson. The 80-year-old company, which **cut a half-dozen employees** from its staff of 80 in early November, manufactures nitrate-based explosives used in mining and agriculture. Products for the two industries provide \$35 million annually in revenue for ANPI.

Mining

For the same reasons Asarco gave for laying off workers at its Green Valley mining complex (see above), the state's other major mining company, Phelps Dodge, **laid off a like number of workers at its Morenci operation** in mid-November. The reductions in force leave the mine with 2,200 workers, down from 2,500 three months earlier. About two-thirds of the employees at the Morenci mine live in Greenlee County, with the other third residing in Graham County.

Construction

In small towns with pastoral names such as Church Rock and Springstead, **work will begin in early December** on an **\$180 million housing project** five miles east of Gallup, N.M. (25 miles east of the Arizona border), that could create more than 900 single-family homes for Navajo Reservation residents. The Navajo Housing Authority and Fort Defiance Housing Corp. are expected to **employ around 200 construction workers** during the **five-year building phase**, with **40 to 50 permanent housing management positions** created after construction is complete. Most of the homes will have three or four bedrooms, air conditioning, and grass lawns.

The **expansion and modernization** of a **Phoenix Cement plant in Verde Valley** will necessitate the **employment of 350 workers through next October**. **Zachry Construction Group** is in charge of the \$115 million project, which includes adding a new rotary kiln, new raw roller and finish roller mills, and two new \$6.2 million clinker domes.

Phoenix Cement has owned the plant since 1957 and employs 150.

Transportation, Communications, and Public Utilities

By a 3 to 0 vote, the **Arizona Corporation Commission (ACC)** **turned down a proposal** to build a \$400 million, **720-megawatt power plant near Wikieup** because of environmental concerns. It was the first time the ACC had voted down a permit for a power plant. Ranchers, environmentalists, and the Hualapai Indian community fought the project by developer Caithness Big Sandy LLC, primarily because of fears it would affect the flow and habitat of the Big Sandy River. The developers now plan to find another use for the 2,000 acres about 50 miles southeast of Kingman.

Services

Amtrak has **chosen** Phoenix-based **Open Road Tours** to replace Nava-Hopi Bus Tours to provide tour service from Flagstaff to the Grand Canyon and Phoenix Sky Harbor International Airport. Nava-Hopi's Gray Line tours suddenly went out of business in November.

Statewide

Trade

Good tidings for Arizona retailers, especially those expanding in the Phoenix metro area (see above). While the nation's retailers are expected to average 2 percent to 3 percent growth over last year's holiday period, retail stores in Arizona should **anticipate 3 percent to 5 percent growth** over a year ago, according to the Arizona Retailer's Association. Discount stores, such as K-mart, Wal-Mart, and Home Depot, are expected to experience the greatest amount of growth.

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